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Sept. 23 (Bloomberg) -- A \$700 billion U.S. plan to take over troubled assets from companies must include limits on executive pay, House Financial Services Committee Chairman Barney Frank said. A growing number of Republicans agree with him.

John McCain was among lawmakers who said yesterday that any rescue plan must restrict participating companies' ability to give executives so-called golden parachutes. Treasury Secretary Henry Paulson rejected the limits over the weekend, suggesting they would dissuade companies from taking advantage of the plan.

Frank, a Massachusetts Democrat, called the issue a ``major disagreement" with the Bush administration that could prove a deal-breaker.

``Without some limitations on CEO compensation and compensation for the other top executives, this bill is going to be rejected," Frank said in a Bloomberg Television interview. ``The notion that they should still go on compensated as handsomely as they have been, whether they were right or wrong, at a time when taxpayers' dollars are being put at risk to help them out just doesn't sell."

Others on Capitol Hill, including California Representative Darrell Issa, Illinois Representative Mark Kirk, Connecticut Representative Chris Shays and South Carolina Senator Lindsey Graham, echoed calls for new curbs on executive pay.

``These people have to share in the people's loss," Issa said. The criticism of executive compensation ``is coming from both sides," he said.

Struggling Companies

Policy makers are working on a plan to calm financial markets by having the federal government buy up to \$700 billion worth of bad debt from financial firms.

Democrats want to include provisions curtailing compensation for those companies' top officials, similar to limits in legislation authorizing the government takeover of Fannie Mae and Freddie Mac. Regulators used those provisions earlier this month to block \$24 million in scheduled payments to former Fannie Mae Chief Executive Officer and Daniel Mudd and former Freddie Mac CEO Richard Syron.

Senate Banking Committee Chairman Christopher Dodd proposed requiring the Treasury to limit "inappropriate or excessive" pay and retroactively force executives to relinquish profits based on earnings targets or other measures if the company's accounting is later found to be inaccurate.

Fannie Mae, Freddie Mac

Issa said he supports seeking to recover bonuses and other compensation from executives who were rewarded while their companies didn't perform.

"Federal regulators rightly blocked planned golden parachutes for the failed leaders of Fannie Mae and Freddie Mac," Kirk said. "We should now set that precedent into law."

Paulson said he only supports compensation restrictions when the government is taking over a company, not merely shoring up its balance sheet.

"In instances where they do fail and you come in, obviously, there are limits -- that's what we saw with" Fannie Mae and Freddie Mac, Paulson said Sept. 21 on ABC's "This Week" program. "To have the program work, we don't want to make it punitive and make it difficult."

Frank said "that's a passionate cause of Secretary Paulson" and "it's something that I was

surprised that Secretary Paulson feels so deeply about, but he does."

Democrats got a boost yesterday when McCain seconded their calls, proposing even tighter limits on executive pay.

"The senior executives of any firm that is bailed out by Treasury should not be making more than the highest paid government official," McCain said. The president is the highest paid federal official, with a salary of \$400,000 a year.

Last year, though, McCain opposed a measure passed by the U.S. House that would have allowed shareholders to hold nonbinding votes on executive pay.

This article was edited to comply with Franking Commission guidelines.